

Adopted	Rejected
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## COMMITTEE REPORT

YES:	9
NO:	0

### MR. SPEAKER:

*Your Committee on Labor and Employment, to which was referred House Bill 1546, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill **be amended** as follows:*

- 1 Delete everything after the enacting clause and insert the following:
- 2 SECTION 1. IC 2-3.5-5-3 IS AMENDED TO READ AS
- 3 FOLLOWS [EFFECTIVE JANUARY 1, 2010]: Sec. 3. (a) The PERF
- 4 board shall establish alternative investment programs within the fund,
- 5 based on the following requirements:
- 6 (1) The PERF board shall maintain at least one (1) alternative
- 7 investment program that is an indexed stock fund and one (1)
- 8 alternative investment program that is a bond fund.
- 9 (2) The programs should represent a variety of investment
- 10 objectives.
- 11 (3) The programs may not permit a member to withdraw money
- 12 from the member's account, except as provided in section 6 of this
- 13 chapter.
- 14 (4) All administrative costs of each alternative program shall be

1 paid from the earnings on that program.

2 (5) A valuation of each member's account must be completed: ~~as~~  
3 ~~of:~~

4 (A) as of the last day of each quarter; and

5 (B) whenever the member makes a new investment  
6 selection, as of the day before the effective date of the  
7 member's selection.

8 (b) A member shall direct the allocation of the amount credited to  
9 the member among the available alternative investment funds, subject  
10 to the following conditions:

11 (1) A member may make a selection or change an existing  
12 selection under rules established by the PERF board. The PERF  
13 board shall allow a member to make a selection or change any  
14 existing selection ~~at least~~ once each ~~quarter~~ day.

15 (2) The PERF board shall implement the member's selection  
16 ~~beginning the first day of the next calendar quarter that begins at~~  
17 ~~least thirty (30) days on the next business day~~ after the selection  
18 is received by the PERF board. This date is the effective date of  
19 the member's selection.

20 (3) A member may select any combination of the available  
21 investment funds, in ten percent (10%) increments.

22 (4) A member's selection remains in effect until a new selection  
23 is made.

24 (5) On the effective date of a member's selection, the board shall  
25 reallocate the member's existing balance or balances in  
26 accordance with the member's direction, based on the market  
27 value on the effective date.

28 (6) If a member does not make an investment selection of the  
29 alternative investment programs, the member's account shall be  
30 invested in the PERF board's general investment fund.

31 (7) All contributions to the member's account shall be allocated  
32 as of the last day of the quarter in which the contributions are  
33 received **or at an alternate time established by the rules of the**  
34 **board** in accordance with the member's most recent effective  
35 direction. The PERF board shall not reallocate the member's  
36 account at any other time.

37 (c) When a member transfers the amount credited to the member  
38 from one (1) alternative investment program to another alternative

investment program, the amount credited to the member shall be valued at the market value of the member's investment, as of the day before the effective date of the member's selection. When a member retires, becomes disabled, dies, or withdraws from the fund, the amount credited to the member shall be:

(1) the market value of the member's investment as of the ~~last day of the quarter date~~ preceding the member's distribution or annuitization at retirement, disability, death, or withdrawal **by five (5) business days**; plus

(2) contributions received after that date.

(d) The PERF board shall determine the value of each alternative program in the defined contribution fund, as of the last day of each calendar quarter, as follows:

(1) The market value shall exclude the employer contributions and employee contributions received during the quarter ending on the current allocation date.

(2) The market value as of the immediately preceding quarter end date shall include the employer contributions and employee contributions received during that preceding quarter.

(3) The market value as of the immediately preceding quarter end date shall exclude benefits paid from the fund during the quarter ending on the current quarter end date.

SECTION 2. IC 5-10.2-2-3, AS AMENDED BY P.L.2-2006, SECTION 21, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2010]: Sec. 3. (a) The annuity savings account consists of:

(1) the members' contributions; and

(2) the interest credits on these contributions in the guaranteed fund or the gain or loss in market value on these contributions in the alternative investment program, as specified in section 4 of this chapter.

Each member shall be credited individually with the amount of the member's contributions and interest credits.

(b) Each board shall maintain the annuity savings account program in effect on December 31, 1995 (referred to in this chapter as the guaranteed program). In addition, the board of the Indiana state teachers' retirement fund shall establish and maintain a guaranteed program within the 1996 account. Each board may establish investment

1 guidelines and limits on all types of investments (including, but not  
 2 limited to, stocks and bonds) and take other actions necessary to fulfill  
 3 its duty as a fiduciary of the annuity savings account, subject to the  
 4 limitations and restrictions set forth in IC 5-10.3-5-3 and  
 5 IC 5-10.4-3-10.

6 (c) Each board shall establish alternative investment programs  
 7 within the annuity savings account of the public employees' retirement  
 8 fund, the pre-1996 account, and the 1996 account, based on the  
 9 following requirements:

10 (1) Each board shall maintain at least one (1) alternative  
 11 investment program that is an indexed stock fund and one (1)  
 12 alternative investment program that is a bond fund.

13 (2) The programs should represent a variety of investment  
 14 objectives under IC 5-10.3-5-3.

15 (3) No program may permit a member to withdraw money from  
 16 the member's account except as provided in IC 5-10.2-3 and  
 17 IC 5-10.2-4.

18 (4) All administrative costs of each alternative program shall be  
 19 paid from the earnings on that program or as may be determined  
 20 by the rules of each board.

21 (5) A valuation of each member's account must be completed: ~~as~~  
 22 ~~of:~~

23 (A) ~~as of~~ the last day of each quarter; ~~or and~~

24 ~~(B) another time as each board may specify by rule:~~

25 **(B) whenever the member makes a new investment**  
 26 **selection, as of the day before the effective date of the**  
 27 **member's selection.**

28 (d) The board must prepare, at least annually, an analysis of the  
 29 guaranteed program and each alternative investment program. This  
 30 analysis must:

31 (1) include a description of the procedure for selecting an  
 32 alternative investment program;

33 (2) be understandable by the majority of members; and

34 (3) include a description of prior investment performance.

35 (e) A member may direct the allocation of the amount credited to  
 36 the member among the guaranteed fund and any available alternative  
 37 investment funds, subject to the following conditions:

38 (1) A member may make a selection or change an existing

1 selection under rules established by each board. A board shall  
 2 allow a member to make a selection or change any existing  
 3 selection ~~at least once each quarter.~~ **day.**

4 (2) The board shall implement the member's selection ~~beginning~~  
 5 ~~the first day of the next calendar quarter that begins at least thirty~~  
 6 ~~(30) days on the next business~~ after the selection is received by  
 7 the board. ~~or an alternate date established by the rules of each~~  
 8 ~~board.~~ This date is the effective date of the member's selection.

9 (3) A member may select any combination of the guaranteed fund  
 10 or any available alternative investment funds, in ten percent  
 11 (10%) increments or smaller increments that may be established  
 12 by the rules of each board.

13 (4) A member's selection remains in effect until a new selection  
 14 is made.

15 (5) On the effective date of a member's selection, the board shall  
 16 reallocate the member's existing balance or balances in  
 17 accordance with the member's direction, based on:

18 (A) for an alternative investment program balance, the market  
 19 value on the effective date; and

20 (B) for any guaranteed program balance, the account balance  
 21 on the effective date.

22 All contributions to the member's account shall be allocated as of  
 23 the last day of that quarter or at an alternate time established by  
 24 the rules of each board in accordance with the member's most  
 25 recent effective direction. The board shall not reallocate the  
 26 member's account at any other time.

27 (f) When a member who participates in an alternative investment  
 28 program transfers the amount credited to the member from one (1)  
 29 alternative investment program to another alternative investment  
 30 program or to the guaranteed program, the amount credited to the  
 31 member shall be valued at the market value of the member's  
 32 investment, as of the day before the effective date of the member's  
 33 selection. ~~or at an alternate time established by the rules of each board.~~  
 34 When a member who participates in an alternative investment program  
 35 retires, becomes disabled, dies, or suspends membership and withdraws  
 36 from the fund, the amount credited to the member shall be:

37 (1) the market value of the member's investment as of the ~~last day~~  
 38 ~~of the quarter date~~ preceding the member's distribution or

annuitization at retirement, disability, death, or suspension and withdrawal **by five (5) business days**; plus

**(2) contributions received after that date. ~~or at an alternate time established by the rules of each board.~~**

(g) When a member who participates in the guaranteed program transfers the amount credited to the member to an alternative investment program, the amount credited to the member in the guaranteed program is computed without regard to market value and is based on the balance of the member's account in the guaranteed program as of the ~~last day of the quarter preceding~~ **before** the effective date of the transfer. ~~However, each board may by rule provide for an alternate valuation date.~~ When a member who participates in the guaranteed program retires, becomes disabled, dies, or suspends membership and withdraws from the fund, the amount credited to the member shall be computed without regard to market value and is based on:

**(1) the balance of the member's account in the guaranteed program as of the ~~last day of the quarter date~~ preceding the member's distribution or annuitization at retirement, disability, death, or suspension and withdrawal **by five (5) business days**; plus**

**(2) any contributions received since that date plus interest since that date. ~~However, each board may by rule provide for an alternate valuation date.~~**

SECTION 3. IC 5-10.2-4-2, AS AMENDED BY P.L.115-2008, SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2010]: Sec. 2. (a) Unless a member elects otherwise under this section or has elected to withdraw the member's annuity savings account under IC 5-10.2-3-6.5, the retirement benefit for each member consists of the sum of a pension provided by employer contributions plus an annuity provided by the amount credited to the member in the annuity savings account. If a member has elected to withdraw the member's annuity savings account under IC 5-10.2-3-6.5, the member's retirement benefit is equal to the pension provided by employer contributions, unless the member has transferred the creditable service earned under the public employees' retirement fund to another governmental retirement plan under IC 5-10.2-3-1(i).

(b) If a member has not elected to withdraw the entire amount in the

member's annuity savings account under IC 5-10.2-3-6.5, a member may choose at retirement or upon a disability retirement to receive a distribution of:

(1) the entire amount credited to the member in the annuity savings account; or

(2) an amount equal to the member's federal income tax basis in the member's annuity savings account balance as it existed on December 31, 1986.

If the member chooses to receive the distribution under subdivision (1), the member is not entitled to an annuity as part of the retirement or disability benefit. If the member chooses to receive the distribution under subdivision (2), the member is entitled to an annuity purchasable by the amount remaining in the member's annuity savings account after the payment under subdivision (2).

(c) Instead of choosing to receive the benefits described in subsection (a) or (b), if a member has not elected to withdraw the entire amount in the member's annuity savings account under IC 5-10.2-3-6.5, a member may choose upon retirement or upon disability retirement to begin receiving a pension provided by employer contributions and to defer receiving in any form the member's annuity savings account. If a member chooses this option, the member:

(1) is not entitled to an annuity as part of the member's retirement or disability benefit, and the member's annuity savings account will continue to be invested according to the member's direction under IC 5-10.2-2-3; and

(2) may later choose, as of the first day of a month, or an alternate date established by the rules of each board, to receive a distribution of:

(A) the entire amount credited to the member in the annuity savings account; or

(B) an amount equal to the member's federal income tax basis in the member's annuity savings account balance as it existed on December 31, 1986.

If the member chooses to receive the distribution under subdivision (2)(A), the member is not entitled to an annuity as part of the member's retirement or disability benefit. If the member chooses to receive the distribution under subdivision (2)(B), the member is entitled to an annuity purchasable by the amount remaining in the member's annuity

savings account after the payment under subdivision (2)(B). If the member does not choose to receive a distribution under this subsection, the member is entitled to an annuity purchasable by the entire amount in the member's annuity savings account, and the form of the annuity shall be as described in subsection (d) unless the member elects an option described in section 7(b)(1), 7(b)(2), or 7(b)(4) of this chapter. The amount to be paid under this section shall be determined in the manner described in IC 5-10.2-2-3. ~~except that it shall be determined as of the last day of the quarter preceding the member's actual distribution or annuitization date.~~ However, each board may by rule provide for an alternate valuation date.

(d) Retirement benefits must be distributed in a manner that complies with Section 401(a)(9) of the Internal Revenue Code, as specified in IC 5-10.2-2-1.5.

SECTION 4. P.L.180-2007, SECTION 13, IS REPEALED [EFFECTIVE JANUARY 1, 2010].

SECTION 5. [EFFECTIVE JULY 1, 2009] (a) As used in this SECTION, "fund" refers to the public employees' retirement fund established by IC 5-10.3-2-1.

(b) As used in this SECTION, "plan" refers to the legislators' defined benefit plan described in IC 2-3.5-4.

(c) Not later than September 1, 2009, the fund shall pay the amount determined under subsection (d) to:

(1) a member of the fund (or to a survivor or beneficiary of a member); or

(2) a participant of the plan;

who retired or was disabled before January 1, 2009, and who is entitled to receive a monthly benefit on July 1, 2009. The amount shall be paid as a single check and is not an increase in the pension portion of the monthly benefit.

(d) The amount paid under this SECTION to a member of the fund (or to a survivor or beneficiary of a member) or a participant of the plan who meets the requirements of subsection (c) is determined as follows:

If a Member's or	
Participant's	The Amount of the
Creditable Service Is:	Check Is:
At least 5 years, but less than 10 years	\$150



- 1           **(only in the case of a member receiving**  
 2           **disability retirement benefits)**
- |  |              |
|--|--------------|
| 3 <b>At least 10 years, but less than 20 years</b> | <b>\$275</b> |
| 4 <b>At least 20 years, but less than 30 years</b> | <b>\$375</b> |
| 5 <b>At least 30 years</b>                         | <b>\$450</b> |
- 6           **(e) The creditable service used to determine the amount paid to**  
 7           **a member (or to a survivor or beneficiary of the member) or a**  
 8           **participant of the plan under this SECTION is the creditable**  
 9           **service that was used to compute:**
- 10           **(1) the member's retirement benefit under IC 5-10.2-4-4; or**  
 11           **(2) the participant's retirement benefit under IC 2-3.5-4-3;**  
 12           **except that partial years of creditable service may not be used to**  
 13           **determine the amount paid under this SECTION.**
- 14           **(f) This SECTION expires January 1, 2010.**  
               (Reference is to HB 1546 as introduced.)

**and when so amended that said bill do pass.**

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Representative Niezgodski